

February 5, 1938

Mr. Walter Breslav
Messrs. Hincks Bros. & Co., Inc.
880 Mail Street
Bridgeport, Conn.

Dear Mr. Breslav:

I wish to acknowledge and thank you for your letter of January 25, 1938, in reference to Senator Maloney's bill providing for cooperation between the brokers and dealers of the country and this Commission in the regulation of over-the-counter markets. You suggest that the members of the committee of the Investment Bankers Conference, Inc. appointed to consult with Senator Maloney and this Commission with reference to the bill are representative of the large New York houses rather than of dealers generally. In this connection I should like to point out that of the eight investment bankers who were appointed to represent the Investment Bankers Conference, two came from New York City, one from San Francisco, one from Hartford, one from Milwaukee, one from Houston, one from Chicago, one from Baltimore.

You will note that the clipping enclosed in your letter gives the names of the committee appointed by the Investment Bankers Association of America, an association which is separate and distinct from the Investment Bankers Conference, Inc., the organization referred to by you.

In your letter you express the opinion that the problems of small dealers can best be handled by local associations and that a national association might not adopt rules which would be entirely fair to the small dealers. You further suggest that local organizations should be formed responsible to the Commission or to a national association. In this connection I am enclosing a copy of the latest committee print of the bill. Your attention is invited to subsections (a) and (d) which are designed to meet the problem you discuss. Here, machinery is set up which would permit a local organization to become affiliated with a national securities association and to so register with the Commission. You will note that under the provisions of subsection (c), the Commission may permit or require the rules of the national securities association under such terms and conditions as may be provided by the rules of the national securities association, if such rules appear to the Commission to be necessary or appropriate in the public interest or for the protection of investors and to carry out the purposes of the bill.

I am glad to reiterate the view which I expressed at Hartford that there is no intention to foster or permit the growth of any organization in which power over the small dealers of the country can be concentrated in the hands of a few or even in which the rights of minorities will be jeopardized. I think from an examination of the bill in its present form you will readily see that safeguards are provided designed to prevent any such development. So far as the Articles of Incorporation or the By-Laws of the Investment Bankers Conference are concerned I can only assure you that prior to securing registration under the proposed bill, should it become law, it will be necessary for the Conference, or any other organization, to bring matters of the type which you discuss into conformity with principles to be established by this Commission under the Act.

I sincerely appreciate your comments and suggestions and I know that Mildred will be very much pleased to receive Terry's message.

Yours faithfully,

William O. Douglas
Chairman

Enc.